

P.3 **AARP IS READY TO FIGHT CUTS**

P.4 **HOW CHANGES COULD HAPPEN**

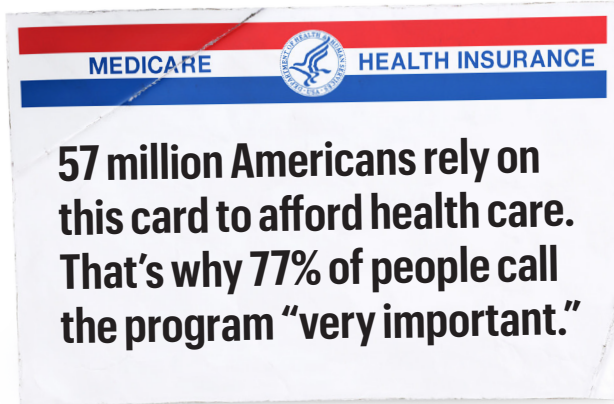
P.5 **IMPORTANT DECISION-MAKERS**

P.6 **ANSWERS TO 5 KEY QUESTIONS**

P.7 **A LETTER FROM OUR CEO**

P.7 **TERMS YOU NEED TO KNOW**

# WHY MEDICARE MATTERS



**M**edicare works wonders for millions of American families, providing affordable access to today's most advanced health care. Poll after poll invariably confirms its popularity. But will Medicare continue to work for us and for the next generations? That's the question that Congress and the Trump administration will be asking in the coming months. At AARP, we continue to believe passionately in this program, which has allowed our citizens to age with dignity. In the pages ahead, we report on the state of Medicare today and provide what you need to know about the upcoming debate in Washington over the nation's most important health care program. —*Robert Love, editor in chief*

## A Battle Looms

**SOME REPUBLICANS SEEK CHANGES. WILL PRESIDENT TRUMP BACK THEM?**

BY BILL WALSH

**A**S DONALD Trump was mounting his insurgent candidacy for president, he repeatedly set himself apart from the Republican field by vowing to protect the Social Security and Medicare Americans have come to know.

He assured older voters, who proved to be a decisive voting bloc, that those programs would remain intact and the benefits delivered as promised.

"Every Republican wants to do a big number on Social Security. They want to do it on Medicare. They want to do it on Medicaid. And we can't do that," he said at a New Hampshire rally during the primaries. "It's not fair to the people who have been paying in for years."

Yet within days of Trump's historic election, the guaranteed health coverage provided by Medicare was cast in doubt. House Speaker Paul Ryan (R-Wis.) revived his plan to replace it with a fixed-dollar subsidy that beneficiaries would use to buy private health insurance. Meanwhile, Congress is expected to move quickly to repeal the Affordable Care Act (ACA), which could have the effect of erasing the consumer-friendly Medicare benefits that the law created. —>



## STIRRING FEARS AND UNCERTAINTY

As news of Ryan's proposed Medicare overhaul spread, it stirred fears among the 57 million beneficiaries who rely on it to cover prescription drugs, doctor visits and hospitalizations. Democrats lined up to pledge their opposition. It also prompted an outcry from consumer groups, including AARP.

What remains to be seen in January, as Congress reconvenes and the president-elect takes office, is how Trump's campaign assurances to protect Medicare will hold up against House lawmakers intent on revamping the popular health program.

Trump contributed to the uncertainty by announcing House Budget Committee Chairman Tom Price (R-Ga.) as his pick to run the Department of Health and Human Services. Price has been an advocate of Ryan's Medicare approach, which supporters call "premium support" and critics decry as a "voucher system." Trump's website further raised questions about his plans for Medicare. It says he wants to "modernize Medicare," which is often seen as Washington code for the type of changes Ryan wishes to make.

As of press time, Trump had not made any postelection comments about Medicare. But in an interview with ABC News on Dec. 4, Vice President-elect Mike Pence said Trump "made it very clear in the course of the campaign that we're going to keep our promises in Social Security and Medicare."

## THE RYAN APPROACH

Ryan's Medicare overhaul, a version of which passed the GOP-controlled House,

would fundamentally change how Medicare works.

Since its creation in 1965, Medicare has been a "defined benefit" program, guaranteeing a certain level of health coverage. It now pays about 80 percent of costs associated with doctor and hospital visits. Beneficiaries are responsible for paying monthly premiums, copayments and annual deductibles.

Ryan would convert Medicare from a "defined benefit" to a "defined contribution" program. Instead of a guaranteed level of coverage, a dollar amount would be set for Medicare beneficiaries to pay premiums on insurance they would buy from private-sector companies (this is why Ryan calls it "premium support"). Ryan's plan would also increase the eligibility age from 65 to 67.

A former chairman of the House Budget Committee, Ryan wants to limit how much government spends on Medicare. In 2015, Medicare accounted for 15 percent of the federal budget, a proportion expected to grow as the number of beneficiaries rises.

"The reforms we're talking about do not affect the benefits for anyone in or near retirement," Ryan said last month. "But for those of us in the younger generations, it won't be there for us if we stay on the current path."

## THE MOUNTING OPPOSITION

Consumer advocates also want to address growing costs in the health care system, including Medicare. But they contend that Ryan's approach would erode much-needed coverage and shift costs to many who

live on fixed incomes and continue to struggle in the shadow of the Great Recession.

While Ryan says the annual subsidy would be greater for low-income people, critics say it is unlikely to keep pace with the rising costs of insurance. The result, they say, is that beneficiaries would shoulder more of the financial burden—or go without needed medical care. Although Ryan also says people would be allowed to stay in traditional Medicare, critics argue his approach is designed to gradually increase out-of-pocket costs in the program and nudge beneficiaries into private plans with no guaranteed level of coverage.

Opponents also say that there are better cost-saving options available. One of the most popular is giving Medicare the authority to negotiate prescription drug prices directly with drug companies. The change would help the federal government control a cost that accounts for \$1 out of every \$6 Medicare spends. That idea was supported by more than 80 percent of people in a Kaiser Family Foundation poll in 2015. As a candidate, Trump also embraced the idea, another potential point of friction with House Republicans, who generally oppose it, as does the pharmaceutical industry.

## THE IMPACT OF OBAMACARE REPEAL

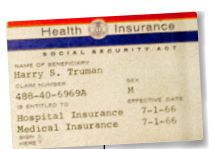
What Trump and GOP leaders wholeheartedly agree on is that the first order of business will be repealing the Affordable Care Act, also known as Obamacare. Republican congressional leaders want a repeal vote in January so that a bill can be on the president's desk right after he is sworn in. →

## MEDICARE'S BIPARTISAN HISTORY



1965

A bill creating Medicare overwhelmingly passes both houses of Congress; President Lyndon B. Johnson signs it into law.



1966

When Medicare services actually begin on July 1, more than 19 million Americans age 65 and older enroll in the program.



1972

President Richard M. Nixon extends coverage to people under 65 with long-term disabilities or end-stage renal disease.



1997

A private insurance option is added, letting people choose an HMO-style plan instead of fee for service. It's now called Medicare Advantage.



[CONTINUED]

FROM LEFT: NEW YORK TIMES/REXUS; TRUMAN PRESIDENTIAL LIBRARY/UP/NEWSCOM; BETTMANN/GETTY IMAGES; ILLUSTRATION BY L-DOFA

# OUR PLAN TO PROTECT MEDICARE

AARP HAS A STRATEGY READY TO FIGHT CUTS TO THIS POPULAR PROGRAM

Although it has received little attention, a full repeal of Obamacare would eliminate Medicare benefits created by the law. Among other things, it improved Medicare's financial outlook by slowing the growth of spending and clamped down on fraud, waste and excessive payments. It also enabled tens of millions of Medicare beneficiaries to get free preventive services such as flu shots and screenings for cancer and diabetes. And between 2010 and 2015, nearly 11 million Medicare beneficiaries saved \$20.8 billion on prescription drugs—an average of \$1,945 per person—because of the gradual closing of the coverage gap known as the doughnut hole.

While Obamacare remains controversial—in part because of its mandate to purchase health insurance and because premiums have increased for some plans—the Medicare provisions have proved popular with beneficiaries.

### MEDICARE'S ENDURING POPULARITY

Even in an era of hostility toward the federal government, support for some programs has remained strong. A Kaiser poll found that 77 percent of people say Medicare is a “very important” program, just below the level of support for Social Security at 83 percent.

Trump's campaign assurances about protecting Medicare and Social Security undoubtedly played a role in his Election Day victory, especially among older voters. Those 65 and older supported him with 53 percent of the vote, compared with 45 percent for Democrat Hillary Clinton, according to the Pew Research Center. There will be a lot at stake for them when Congress reconvenes. ■

**SAFEGUARDING** the health of older Americans has been part of the mission of AARP since the association was founded almost 60 years ago.

That is why the nonpartisan, nonprofit organization stands ready to mobilize its 38 million members to oppose any attempts to cut Medicare benefits for seniors and future generations.

The potential battle is the latest in AARP's ongoing commitment to help shape public policy on issues of importance to the 50-plus population.

In 2005, AARP members helped to shut down plans to turn Social Security into private accounts. And since 2010, more than 2.5 million members joined the successful battle to fight cuts to Social Security through the so-called chained consumer price index, which would have reduced annual cost-of-living adjustments.

As a discussion about dramatic Medicare changes gets underway in Washington, AARP again is preparing to launch a major campaign to prevent harmful cuts to this popular program.

▶ AARP is planning to meet

with the Trump administration and members of Congress to explain why proposals to turn Medicare into a voucher program would hurt today's seniors, as well as future generations.

▶ The association is mobilizing its members to write to and visit their members of Congress, urging them to oppose any plan to cut their Medicare benefits.

▶ AARP advocates in Washington, as well as AARP volunteers across the country, will write opinion pieces and send letters to the editors of newspapers and media websites.

▶ Volunteers will attend relevant public events to voice their concerns about plans to cut the program.

In addition, AARP will use its communications channels to educate its membership about all aspects of Medicare. AARP.org will feature articles and videos that underscore the value of Medicare to individuals and to society at large. Web and social media channels will also keep members informed about the latest developments in the debate on Capitol Hill, as well as the pros and cons of proposals to change Medicare. ■

**GET INVOLVED!**  
**Let President-elect Trump know you are counting on him to stay true to his promise not to cut Medicare benefits. The easiest way to do that is by going to [aarp.org/nocuts](http://aarp.org/nocuts).**

**2003** President George W. Bush greatly expands the program by adding a prescription drug plan that beneficiaries can buy (known as Medicare Part D).

**2006** Medicare Part D goes into effect, and enrolled beneficiaries begin receiving subsidized prescription drug coverage.

**2010** President Barack Obama signs the Affordable Care Act, which adds preventive services to Medicare and improves prescription drug coverage.

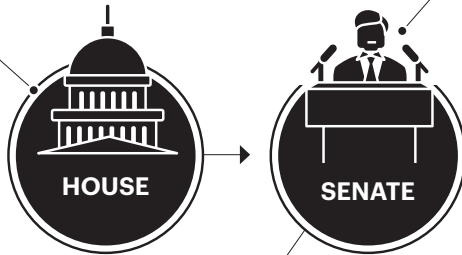
**2016** Today, more than 57 million Americans—15 percent of the population—depend on Medicare for their health insurance. That number will grow in the years ahead.

RON EDMONDS/AP; ILLUSTRATIONS: L. DOPA (2); DOUG MILLS/NEW YORK TIMES/REDUX

# THE PROCESS

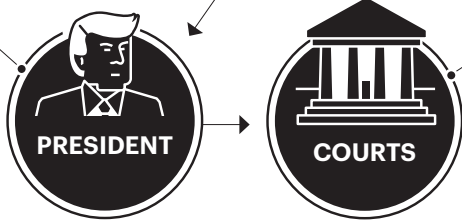
**ONLY CONGRESS CAN MAKE MAJOR CHANGES TO MEDICARE—PRESIDENTIAL EXECUTIVE ORDERS DO NOT APPLY. HERE'S HOW IT COULD HAPPEN.**

**1. BECAUSE SPEAKER OF THE HOUSE PAUL RYAN** has been a vocal proponent of a Medicare overhaul, a bill could start in the House, where Republicans hold the majority. The bill would go through committees and potentially to a full floor vote. If the Senate has a competing Medicare bill, any differences would be addressed in a joint conference committee. If not, the House bill would go to the Senate for a vote.



**2. THIS IS WHERE THINGS GET REALLY INTERESTING.** Republicans hold a majority in the Senate, but not the supermajority (60 members) that is needed to end a filibuster. As the minority party, Democrats can block bills using the filibuster; that's when a senator takes over the floor debate and prevents a bill from coming up for vote. One way that Republicans could overcome this tactic, however, is through a process called budget reconciliation, which would allow passage with simple majorities in each chamber. Reconciliation can only be used in certain circumstances, but it is not subject to filibuster.

**3. AFTER A BILL IS PASSED,** it would go to President Trump for his signature or veto. If Trump were to veto legislation passed by his party, Republicans would not be able to override that veto without some support from Democrats. An override requires a two-thirds majority in each chamber.



**4. THOUGH POSSIBLE CHALLENGES** to a new Medicare law are nearly impossible to predict, it is unlikely that the courts would be able to block the law on constitutional grounds; health care is not an explicit right granted to American citizens.

**INFLUENCERS**

Throughout the process, various groups will lobby Congress or work to rally support for or against potential Medicare changes. Those include:



► **Interest groups** that advocate for older Americans, such as AARP.



► **Trade organizations** that represent private industries, such as pharmaceutical companies.



► **Opinion leaders**, such as think tanks and media organizations.



► **Members of the public**, who can stage rallies or write to politicians.





# THE PLAYERS

## THE FUTURE OF MEDICARE RESTS IN THE HANDS OF A SMALL GROUP WITH WIDELY DIFFERING VIEWS



### President-elect Donald Trump

Trump campaigned on promises not to cut Medicare and other public health programs. But a recent change to his website suggested he now supports efforts to “modernize” Medicare, to deal with “challenges with the coming retirement of the baby boom generation.” The president will be under pressure from some congressional Republicans to back major changes to Medicare.

### Vice President-elect Mike Pence

Pence is a fiscal conservative who has championed GOP-backed efforts to reduce federal investments in the Medicare program. He has backed Paul Ryan’s plan to turn Medicare into a “premium support” system. However, Trump and Pence have said that a Medicare overhaul is not on the table.



### Speaker of the House Paul Ryan (R-Wis.)

Ryan has said that a repeal of the Affordable Care Act should be paired with an overhaul of Medicare. He wants to turn the program into a premium support system, which would give people a fixed amount of money to purchase private insurance.



### HHS secretary pick Tom Price

Price, a Georgia congressman, was selected by Trump to serve as secretary of the Department of Health and Human Services. He advocates adopting a premium support system for Medicare, but many warn that this system could end the guarantee of certain government-provided benefits for seniors.



### Senate Majority Leader Mitch McConnell (R-Ky.)

The Senate majority leader will play an important role in any effort to roll back federal support for social programs. He has proposed significant changes to Medicare, including a plan to raise the eligibility age from 65 to 67.



### Senate Minority Leader Charles Schumer (D-N.Y.)

The minority leader promised that the 48 Democratic senators for whom he is the chief spokesman were going to “link arm in arm” to protect Medicare and ensure “Republicans do not succeed” in efforts to change the program.



### Senate Finance Committee Chairman Orrin Hatch (R-Utah)

Head of the committee that oversees Medicare, Hatch believes that “real reform” must be made to Medicare to ensure the program is not “condemned to bankruptcy.” GOP control of this committee is key to efforts to change Medicare.



### House Minority Leader Nancy Pelosi (D-Calif.)

Pelosi has been an opponent of Republican efforts to change entitlement programs. She recently blasted Republican plans to end the Medicare guarantee and vowed to block an overhaul. ■

CLOCKWISE FROM LEFT: DENNIS VAN TINE/UPPAZUMA PRESS; JOSHUA ROBERTS/REUTERS/ALAMY; MELISSA GOLDEN/PREDUX; ANDREW HARRER/BLOOMBERG/GETTY IMAGES; BILL CLARK/CO ROLL CALL/GETTY IMAGES; DREW ANGERER/GETTY IMAGES; DAVID ORRELL/CNBC/NBCU PHOTO BANK/GETTY IMAGES

# The 5 Most-Asked Questions

SINCE ELECTION DAY, THERE'S BEEN MUCH SPECULATION ABOUT MEDICARE. HERE ARE YOUR TOP QUERIES ANSWERED.

## Q I'm already on Medicare. Could I really lose my coverage or see it radically altered?

For people currently on Medicare, there is no immediate threat to your coverage. The most widely discussed plan proposed by House Republicans would not go into effect until 2024. But at this point, the debate is just beginning, and there are other proposals that could reduce coverage and raise costs for today's seniors. Current beneficiaries could also be affected if the Affordable Care Act, known as Obamacare, is repealed, and the additional benefits that the law provided to Medicare recipients disappear.

## Reforming Obamacare seems to be an important early goal of the Trump administration. How could that affect my Medicare coverage?

The ACA made a number of improvements to Medicare—including closing the gap in drug coverage (the “doughnut

hole”), adding free preventive benefits and cutting excess provider payments—that improved the financial stability of the program. Obamacare also took some steps to improve care coordination and reduce hospital readmissions. If the entire health care law is repealed, these improvements would be lost.

## Isn't Medicare at risk of going broke within a few decades? For the sake of grandkids, don't we have to make some changes?

Medicare is not going broke: The program can pay full hospital benefits through 2028. Beyond that, there are challenges, largely caused by a growing older population and skyrocketing health costs.

A number of proposals on the table could keep Medicare on a strong financial footing. Some would make older Americans shoulder more of the costs. Others would focus on lowering health care costs by tackling high drug prices, improving care coordination and cutting back on waste and inefficiencies in our health system.

## I've heard about the voucher-type plan that House Republicans hope to implement soon. How would this plan change Medicare?

The “premium support” plan put forward by House Republicans represents a dramatic change: It would move away from guaranteed benefits and instead provide older adults with a set amount of money (similar to what has been called a voucher) to buy health insurance from private companies. Supporters say this would stimulate greater price competition among insurers and ultimately cut down on costs.

But opponents—including AARP—say the amount of the voucher may not be enough to keep up with health care inflation, so older adults could end up paying more for care and for insurance that has fewer choices of doctors and other providers.

## I've been paying payroll taxes for Medicare for many years and thought I was guaranteed coverage. Can the rules be changed now before I'm old enough for Medicare?

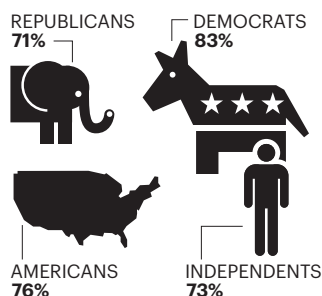
Current benefits are set in law for today's beneficiaries. But Congress can revise the law at any time to change the benefit guarantee, raise the age of eligibility and require higher cost sharing.

AARP is fighting to protect that benefit guarantee. We are also working to improve the care and coverage in Medicare, and to make sure that health costs stay as low as possible for those using the program. ■

## MEDICARE POPULARITY

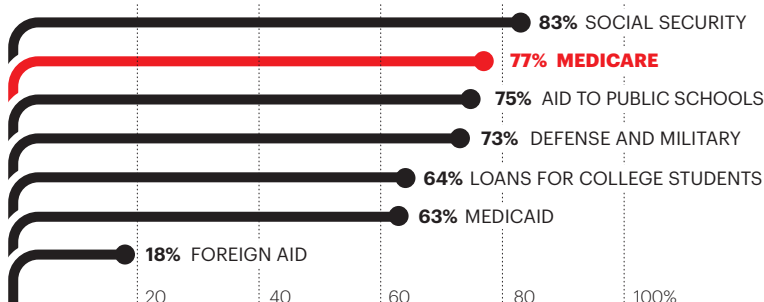
### PERSONAL IMPORTANCE

Percentage who say Medicare is important to themselves and their family:



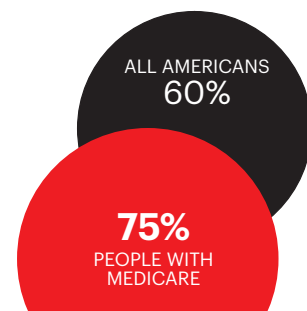
### NATIONAL IMPORTANCE

How Medicare compares to other federal government programs. Percentage of respondents who say the program is very important:



### EFFECTIVENESS

Percentage who say Medicare is working well for most seniors:



SOURCE: KAISER FAMILY FOUNDATION MEDICARE AND MEDICAID AT 50 SURVEY, 2015.

INFOGRAPHIC BY NICOLAS RAPP



BY JO ANN JENKINS, CEO

# We'll Fight for Medicare

I'VE HEARD FROM many of you in recent weeks expressing concern about what may happen to Medicare. I want to make it clear where AARP stands on this issue: We stand with you.

AARP has a long history of fighting for affordable health care and against attempts to cut Medicare. We've long opposed attempts to force older Americans to pay more for their health care. As the Medicare debate heats up in Congress, AARP will vigorously protect and defend the health care coverage that Medicare beneficiaries receive.

Let me be clear: AARP will flatly oppose any attempts to cut, scale back or diminish Medicare's benefits. This includes any efforts to eliminate the guaranteed level of coverage that has been part of Medicare from the start.

The importance of Medicare to aging Americans is indisputable. Today, 57 million Americans rely on Medicare to help pay for their prescription drugs, doctor visits and hospitalizations. Workers have earned these benefits by paying into the program throughout their working lives.

Medicare is the bedrock of health security for all Americans as they age. It helps keep older people out of poverty and enables them to live with independence and dignity.

Current beneficiaries need to know that the coverage they count on every day will not be reduced or taken away. Those nearing eligibility must know that the promise of guaranteed benefits will be kept.

While fighting to protect and defend Medicare for current and near-term beneficiaries, we must also improve it for future generations while continuing its guaranteed benefits.

We will work to find sensible solutions that improve care, reduce costs and create real savings for taxpayers without cutting benefits or access to care. These include: reducing prescription drug costs by allowing Medicare to negotiate lower drug prices and improving access to lower-cost biologic drugs; improving care coordination; cracking down on waste and fraud; and eliminating inefficient payment systems, uncoordinated care, mistakes, duplication and unnecessary paperwork.

We will also fight to protect the key provisions of health care reform that you have told us are important to you and your families:

- ▶ Eliminating discrimination by insurance companies due to preexisting conditions.
  - ▶ Restricting discrimination by insurance companies based on age and gender.
  - ▶ Closing the "doughnut hole" to make prescription drugs more affordable under Medicare.
  - ▶ Keeping children on their parents' policies to the age of 26.
  - ▶ Expanding preventive services.
  - ▶ Protecting Medicaid's critical long-term services and supports that help our nation's most vulnerable citizens, including older adults and disabled children, continue to live in their homes and communities.
- Join us in the fight to ensure that all Americans continue to receive the health care that they have earned, that they need and that they deserve. Go to [aarp.org/nocuts](http://aarp.org/nocuts).

Sincerely,



**AARP will flatly oppose attempts to cut, scale back or diminish Medicare's benefits.**

## THE TERMS TO KNOW

### Premium support program

The term used to describe the most widely discussed Republican plan for Medicare. Under this proposal, rather than a guaranteed benefit package, the government would provide a fixed dollar amount to users, who could then choose among competing private health insurance plans. Supporters say this would stimulate greater price competition among insurers and ultimately cut consumer costs.

**Voucher system** Opponents often use this term instead of premium support, though both refer to the same thing. Critics say vouchers would not purchase as much health care for beneficiaries as the current system provides, and would shift more costs to seniors without guaranteeing benefits.

**Privatization** This refers to an approach to move Medicare beneficiaries into private health insurance. (Currently, about a third of Medicare beneficiaries are enrolled in private Medicare Advantage plans, but these plans must still meet the guaranteed benefit standards of traditional Medicare.)

**Medicare trust fund** Medicare payroll taxes go into one fund, which is used to pay hospitals and rehabilitation facilities (Part A). The other fund for doctors' services (Part B) and prescription drugs (Part D) comes from premiums paid by beneficiaries and general tax revenues.

**Trust fund solvency** This refers to whether the Part A fund is sufficient to pay the hospital expenses of beneficiaries going forward. This fund is projected to be able to pay full benefits through 2028, but only 87 percent beyond 2028. ■